

By: Chisum, Eissler, Branch,
Howard of Fort Bend, Hartnett

H.B. No. 1

Substitute the following for H.B. No. 1:

By: Keffer of Eastland

C.S.H.B. No. 1

A BILL TO BE ENTITLED

AN ACT

relating to public school finance and property tax rate
compression; making an appropriation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. PUBLIC SCHOOL FINANCE AND PROPERTY TAX RATE COMPRESSION

SECTION 1.01. Section 41.093, Education Code, is amended by
amending Subsection (a) and adding Subsection (b-1) to read as
follows:

(a) Subject to Subsection (b-1), the ~~The~~ cost of each
credit is an amount equal to the greater of:

(1) the amount of the district's maintenance and
operations tax revenue per student in weighted average daily
attendance for the school year for which the contract is executed;
or

(2) the amount of the statewide district average of
maintenance and operations tax revenue per student in weighted
average daily attendance for the school year preceding the school
year for which the contract is executed.

(b-1) The commissioner shall exclude maintenance and
operations tax revenue resulting from amounts by which maintenance
and operations tax rates exceed \$1.33 on the \$100 valuation of
taxable property in computing the amounts described by Subsections
(a)(1) and (2) and determining the cost of an attendance credit.

SECTION 1.02. Subchapter E, Chapter 42, Education Code, is

1 amended by adding Sections 42.2516 and 42.261 to read as follows:

2 Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a)
3 Subject to Subsection (e), but notwithstanding any other provision
4 of this title, a school district is entitled to the amount of state
5 revenue necessary to maintain state and local revenue per student
6 in weighted average daily attendance in the amount equal to the
7 greater of:

8 (1) the amount of state and local revenue per student
9 in weighted average daily attendance for the maintenance and
10 operation of the district to which the district would have been
11 entitled for the 2006-2007 school year under this chapter, as it
12 existed on January 1, 2006, or, if the district would have been
13 subject to Chapter 41, as that chapter existed on January 1, 2006,
14 the amount to which the district would have been entitled under that
15 chapter, based on the funding elements in effect for the 2005-2006
16 school year, if the district imposed a maintenance and operations
17 tax at the rate adopted by the district for the 2005 tax year; or

18 (2) the amount of state and local revenue per student
19 in weighted average daily attendance for the maintenance and
20 operation of the district to which the district would have been
21 entitled for the 2006-2007 school year under this chapter, as it
22 existed on January 1, 2006, or, if the district would have been
23 subject to Chapter 41, as that chapter existed on January 1, 2006,
24 the amount to which the district would have been entitled under that
25 chapter, based on the funding elements in effect for the 2005-2006
26 school year, if the district imposed a maintenance and operations
27 tax at the rate equal to the rate described by Section 26.08(i) or

1 (k)(1), Tax Code, as applicable, for the 2006 tax year.

2 (b) In determining the amount to which a district would be
3 entitled under Subsection (a), the commissioner shall include:

4 (1) any amounts described by Rider 69, page III-19,
5 Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005
6 (the General Appropriations Act);

7 (2) for a school district that received additional
8 revenue for the 2005-2006 school year as a result of an agreement
9 under Subchapter E, Chapter 41, the amount of that additional
10 revenue, which is the amount by which the total maintenance and
11 operations revenue available to the district exceeded the total
12 maintenance and operations revenue that would have been available
13 to the district if the district had not entered into the agreement
14 and had imposed a maintenance and operations tax at the rate of
15 \$1.50 on the \$100 valuation of taxable property;

16 (3) any amount necessary to reflect an adjustment made
17 by the commissioner under Section 42.005;

18 (4) any amount necessary to reflect an adjustment made
19 by the commissioner under Section 42.2521; and

20 (5) any amount necessary to reflect an adjustment made
21 by the commissioner under Section 42.2531.

22 (c) The amount of revenue to which a school district is
23 entitled because of the technology allotment under Section 32.005
24 is not included in making a determination under Subsection (a).

25 (d) For purposes of determining the amount of revenue to
26 which a school district is entitled under this section, the
27 commissioner shall use the average tax collection rate for the

1 district for the 2003, 2004, and 2005 tax years.

2 (e) If a school district adopts a maintenance and operations
3 tax rate that is below the rate equal to 88.67 percent of the
4 maintenance and operations tax rate adopted by the district for the
5 2005 tax year, the commissioner shall reduce the district's
6 entitlement under this section in proportion to the amount by which
7 the adopted rate is less than the rate equal to 88.67 percent of the
8 rate adopted by the district for the 2005 tax year.

9 (f) A school district that is required to take action under
10 Chapter 41 to reduce its wealth per student to the equalized wealth
11 level and that is entitled to state revenue under this section may
12 receive that revenue through an adjustment against the total amount
13 of attendance credits required to be purchased under Subchapter D,
14 Chapter 41, or the total number of nonresident students required to
15 be educated under Subchapter E, Chapter 41, as determined by the
16 commissioner.

17 (g) If a school district imposes a maintenance and
18 operations tax at a rate greater than the rate equal to 88.67
19 percent of the maintenance and operations tax rate adopted by the
20 district for the 2005 tax year, the commissioner may not reduce the
21 amount to which the district is entitled under this section on the
22 basis of the additional revenue collected by the district.

23 (h) The commissioner may adopt rules necessary to
24 administer this section.

25 (i) The commissioner shall determine the amount of state
26 funds to which a school district is entitled under this section. The
27 commissioner's determination is final and may not be appealed.

1 Sec. 42.261. CERTAIN FUNDS APPROPRIATED FOR PURPOSE OF TAX
2 REDUCTION. (a) Funds appropriated by the legislature for a tax
3 year for the purpose of reducing a school district's maintenance
4 and operations tax rate and providing state aid under Section
5 42.2516:

6 (1) are not excess funds for purposes of Section
7 42.2517;

8 (2) are not available for purposes of Section 42.2521
9 or 42.2522;

10 (3) may not be used for purposes of Chapter 46; and

11 (4) may not be provided by the commissioner to a school
12 district for a purpose other than reduction of the district's
13 maintenance and operations tax rate.

14 (b) The commissioner may adopt rules necessary to
15 administer this section.

16 SECTION 1.03. Section 42.302, Education Code, is amended by
17 adding Subsection (f) to read as follows:

18 (f) If a school district imposes a maintenance and
19 operations tax at a rate greater than the rate equal to 88.67
20 percent of the maintenance and operations tax rate adopted by the
21 district for the 2005 tax year, the district is entitled to receive
22 an allotment under this section on the basis of that greater tax
23 effort.

24 SECTION 1.04. Section 21.402(a), Education Code, is amended
25 to read as follows:

26 (a) Except as provided by Subsection (d), (e), or (f), a
27 school district must pay each classroom teacher, full-time

1 librarian, full-time counselor certified under Subchapter B, or
2 full-time school nurse not less than the minimum monthly salary,
3 based on the employee's level of experience, determined by the
4 following formula:

$$5 \quad \text{MS} = \text{SF} \times \text{FS}$$

6 where:

7 "MS" is the minimum monthly salary;

8 "SF" is the applicable salary factor specified by Subsection
9 (c); and

10 "FS" is the amount, as determined by the commissioner under
11 Subsection (b), of state and local funds per weighted student,
12 including funds provided under Section 42.2516, available to a
13 district eligible to receive state assistance under Section 42.302
14 with a maintenance and operations [~~an enrichment~~] tax rate of \$1.33
15 on the \$100 valuation of taxable property [~~, as defined by Section~~
16 ~~42.302, equal to the maximum rate authorized under Section~~
17 ~~42.303~~], except that the amount of state and local funds per
18 weighted student does not include the amount attributable to the
19 increase in the guaranteed level made by Chapter 1187 [~~H.B. No.~~
20 ~~3343~~], Acts of the 77th Legislature, Regular Session, 2001.

21 SECTION 1.05. Section 30.003, Education Code, is amended by
22 adding Subsection (f-1) to read as follows:

23 (f-1) The commissioner shall determine the total amount
24 that the Texas School for the Blind and Visually Impaired and the
25 Texas School for the Deaf would have received from school districts
26 in accordance with this section if __.B. No. ____, Acts of the 79th
27 Legislature, 3rd Called Session, 2006, had not reduced the

1 districts' share of the cost of providing education services. That
2 amount, minus any amount the schools do receive from school
3 districts, shall be set aside as a separate account in the
4 foundation school fund and appropriated to those schools for
5 educational purposes.

6 SECTION 1.06. Section 26.08, Tax Code, is amended by
7 amending Subsections (i) and (k) and adding Subsections (n), (o),
8 (p), and (q) to read as follows:

9 (i) For purposes of this section, the effective maintenance
10 and operations [~~rollback~~] tax rate of a school district is [~~the sum~~
11 ~~of:~~

12 [~~(1)~~] the tax rate that, applied to the current total
13 value for the district, would impose taxes in an amount that, when
14 added to state funds that would be distributed to the district under
15 Chapter 42, Education Code, for the school year beginning in the
16 current tax year using that tax rate, would provide the same amount
17 of state funds distributed under Chapter 42 and maintenance and
18 operations taxes of the district per student in weighted average
19 daily attendance for that school year that would have been
20 available to the district in the preceding year if the funding
21 elements for Chapters 41 and 42, Education Code, for the current
22 year had been in effect for the preceding year[~~+~~

23 [~~(2) the rate of \$0.06 per \$100 of taxable value, and~~

24 [~~(3) the district's current debt rate~~].

25 (k) For purposes of this section, for the [~~2003, 2004,~~
26 ~~2005,~~] 2006, 2007, or 2008 tax year, for a school district that is
27 entitled to state funds under Sections 1581.1015(d), (e), and (f)

1 ~~[Section 4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article~~
2 ~~3.50-9]~~, Insurance Code, the effective maintenance and operations
3 ~~[rollback]~~ tax rate of the district is the sum of:

4 (1) the tax rate that, applied to the current total
5 value for the district, would impose taxes in an amount that, when
6 added to state funds that would be distributed to the district under
7 Chapter 42, Education Code, for the school year beginning in the
8 current tax year using that tax rate, would provide the same amount
9 of state funds distributed under Chapter 42 and maintenance and
10 operations taxes of the district per student in weighted average
11 daily attendance for that school year that would have been
12 available to the district in the preceding year if the funding
13 elements for Chapters 41 and 42, Education Code, for the current
14 year had been in effect for the preceding year; and

15 (2) the tax rate that, applied to the current total
16 value for the district, would impose taxes in the amount that, when
17 added to state funds that would be distributed to the district under
18 Chapter 42, Education Code, for the school year beginning in the
19 current tax year using that tax rate, permits the district to comply
20 with Section 1581.052 [~~3, Article 3.50-9~~], Insurance Code[~~+~~

21 ~~[(3) the rate of \$0.06 per \$100 of taxable value, and~~

22 ~~[(4) the district's current debt rate].~~

23 (n) For purposes of this section, the rollback tax rate of a
24 school district whose maintenance and operations tax rate for the
25 2005 tax year was less than \$1.50 per \$100 of taxable value is:

26 (1) for the 2006 tax year, the sum of:

27 (A) the lesser of the following tax rates:

1 (i) the rate of \$1.36 per \$100 of taxable
2 value; or

3 (ii) the sum of the following tax rates:

4 (a) the effective maintenance and
5 operations tax rate of the district as computed under Subsection
6 (i) or (k), as applicable; and

7 (b) the rate of \$0.06 per \$100 of
8 taxable value; and

9 (B) the district's current debt rate; and

10 (2) for the 2007 and subsequent tax years, the
11 following tax rate, as applicable:

12 (A) if in the 2006 or any subsequent tax year the
13 district adopted a maintenance and operations tax rate of at least
14 \$1.36 per \$100 of taxable value, the sum of:

15 (i) the lesser of the following tax rates:

16 (a) the highest maintenance and
17 operations tax rate adopted by the district in any of those years;
18 or

19 (b) the sum of the following tax
20 rates:

21 (1) the effective maintenance
22 and operations tax rate of the district as computed under
23 Subsection (i) or (k), as applicable; and

24 (2) the rate of \$0.06 per \$100 of
25 taxable value; and

26 (ii) the district's current debt rate; or

27 (B) if in the 2006 and each subsequent tax year

1 the district adopted a maintenance and operations tax rate of less
2 than \$1.36 per \$100 of taxable value, the sum of:

3 (i) the lesser of the following tax rates:

4 (a) the rate of \$1.36 per \$100 of
5 taxable value; or

6 (b) the sum of the following tax
7 rates:

8 (1) the effective maintenance
9 and operations tax rate of the district as computed under
10 Subsection (i) or (k), as applicable; and

11 (2) the rate of \$0.06 per \$100 of
12 taxable value; and

13 (ii) the district's current debt rate.

14 (o) For purposes of this section, the rollback tax rate of a
15 school district whose maintenance and operations tax rate for the
16 2005 tax year was \$1.50 per \$100 of taxable value is:

17 (1) for the 2006 tax year, the sum of:

18 (A) \$1.36 per \$100 of taxable value; and

19 (B) the district's current debt rate; and

20 (2) for the 2007 and subsequent tax years, the sum of:

21 (A) the lesser of the following tax rates:

22 (i) the highest maintenance and operations
23 tax rate adopted by the district in the 2006 or any subsequent tax
24 year; or

25 (ii) the sum of the following tax rates:

26 (a) the effective maintenance and
27 operations tax rate of the district as computed under Subsection

1 (i) or (k), as applicable; and

2 (b) the rate of \$0.06 per \$100 of
3 taxable value; and

4 (B) the district's current debt rate.

5 (p) For purposes of this section, the rollback tax rate of a
6 school district permitted by special law on April 1, 2006, to impose
7 a maintenance and operations tax at a rate greater than \$1.50 per
8 \$100 of taxable value is:

9 (1) for the 2006 tax year, the sum of:

10 (A) the rate that is equal to 88.67 percent of the
11 maintenance and operations tax rate adopted by the district for the
12 2005 tax year;

13 (B) the rate of \$0.03 per \$100 of taxable value;
14 and

15 (C) the district's current debt rate; and

16 (2) for the 2007 and subsequent tax years, the sum of:

17 (A) the lesser of the following tax rates:

18 (i) the highest maintenance and operations
19 tax rate adopted by the district in the 2006 or any subsequent tax
20 year; or

21 (ii) the sum of the following tax rates:

22 (a) the effective maintenance and
23 operations tax rate of the district as computed under Subsection
24 (i) or (k), as applicable; and

25 (b) the rate of \$0.06 per \$100 of
26 taxable value; and

27 (B) the district's current debt rate.

1 (g) Notwithstanding Section 45.003, Education Code, or any
2 other law, a school district described by Subsection (p) may not
3 adopt a maintenance and operations tax rate that exceeds the sum of
4 the tax rate described by Subsection (p)(1)(A) and \$0.17 per \$100 of
5 taxable value.

6 SECTION 1.07. Section 31.01, Tax Code, is amended by adding
7 Subsection (k) to read as follows:

8 (k) In addition to the information specified by Subsection
9 (c), a tax bill for school district taxes or the separate statement
10 accompanying a tax bill for school district taxes shall include
11 information regarding the amount by which the property owner's
12 school district tax bill was reduced as a result of __.B. No. ____,
13 Acts of the 79th Legislature, 3rd Called Session, 2006. The
14 commissioner of education, with any necessary assistance from the
15 Legislative Budget Board, may adopt rules necessary to implement
16 this subsection. This subsection expires January 1, 2007.

17 SECTION 1.08. Section 311.013, Tax Code, is amended by
18 adding Subsection (n) to read as follows:

19 (n) This subsection applies only to a school district whose
20 taxable value computed under Section 403.302(d), Government Code,
21 is reduced in accordance with Subdivision (5) of that subsection.
22 In addition to the amount otherwise required to be paid into the tax
23 increment fund, the district shall pay into the fund an amount equal
24 to the amount by which the amount of taxes the district would have
25 been required to pay into the fund in the current year if the
26 district levied taxes at the rate the district levied in 2005
27 exceeds the amount the district is otherwise required to pay into

1 the fund in the year of the reduction, not to exceed the amount the
2 school district realizes from the reduction in the school
3 district's taxable value under Section 403.302(d)(5), Government
4 Code.

5 SECTION 1.09. Section 403.302, Government Code, is amended
6 by amending Subsections (d) and (i) and adding Subsection (d-1) to
7 read as follows:

8 (d) For the purposes of this section, "taxable value" means
9 the market value of all taxable property less:

10 (1) the total dollar amount of any residence homestead
11 exemptions lawfully granted under Section 11.13(b) or (c), Tax
12 Code, in the year that is the subject of the study for each school
13 district;

14 (2) one-half of the total dollar amount of any
15 residence homestead exemptions granted under Section 11.13(n), Tax
16 Code, in the year that is the subject of the study for each school
17 district;

18 (3) the total dollar amount of any exemptions granted
19 before May 31, 1993, within a reinvestment zone under agreements
20 authorized by Chapter 312, Tax Code;

21 (4) subject to Subsection (e), the total dollar amount
22 of any captured appraised value of property that:

23 (A) is within a reinvestment zone created on or
24 before May 31, 1999, or is proposed to be included within the
25 boundaries of a reinvestment zone as the boundaries of the zone and
26 the proposed portion of tax increment paid into the tax increment
27 fund by a school district are described in a written notification

1 provided by the municipality or the board of directors of the zone
2 to the governing bodies of the other taxing units in the manner
3 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
4 within the boundaries of the zone as those boundaries existed on
5 September 1, 1999, including subsequent improvements to the
6 property regardless of when made;

7 (B) generates taxes paid into a tax increment
8 fund created under Chapter 311, Tax Code, under a reinvestment zone
9 financing plan approved under Section 311.011(d), Tax Code, on or
10 before September 1, 1999; and

11 (C) is eligible for tax increment financing under
12 Chapter 311, Tax Code;

13 (5) for a school district for which a deduction from
14 taxable value is made under Subdivision (4), an amount equal to the
15 taxable value required to generate revenue when taxed at the school
16 district's current tax rate in an amount that, when added to the
17 taxes of the district paid into a tax increment fund as described by
18 Subdivision (4)(B), is equal to the total amount of taxes the
19 district would have paid into the tax increment fund if the district
20 levied taxes at the rate the district levied in 2005;

21 (6) the total dollar amount of any exemptions granted
22 under Section 11.251, Tax Code;

23 (7) [~~(6)~~] the difference between the comptroller's
24 estimate of the market value and the productivity value of land that
25 qualifies for appraisal on the basis of its productive capacity,
26 except that the productivity value estimated by the comptroller may
27 not exceed the fair market value of the land;

1 (8) [~~(7)~~] the portion of the appraised value of
2 residence homesteads of individuals who receive a tax limitation
3 under Section 11.26, Tax Code, on which school district taxes are
4 not imposed in the year that is the subject of the study, calculated
5 as if the residence homesteads were appraised at the full value
6 required by law;

7 (9) [~~(8)~~] a portion of the market value of property
8 not otherwise fully taxable by the district at market value because
9 of:

10 (A) action required by statute or the
11 constitution of this state that, if the tax rate adopted by the
12 district is applied to it, produces an amount equal to the
13 difference between the tax that the district would have imposed on
14 the property if the property were fully taxable at market value and
15 the tax that the district is actually authorized to impose on the
16 property, if this subsection does not otherwise require that
17 portion to be deducted; or

18 (B) action taken by the district under Subchapter
19 B or C, Chapter 313, Tax Code;

20 (10) [~~(9)~~] the market value of all tangible personal
21 property, other than manufactured homes, owned by a family or
22 individual and not held or used for the production of income;

23 (11) [~~(10)~~] the appraised value of property the
24 collection of delinquent taxes on which is deferred under Section
25 33.06, Tax Code;

26 (12) [~~(11)~~] the portion of the appraised value of
27 property the collection of delinquent taxes on which is deferred

1 under Section 33.065, Tax Code; and

2 (13) [~~(12)~~] the amount by which the market value of a
3 residence homestead to which Section 23.23, Tax Code, applies
4 exceeds the appraised value of that property as calculated under
5 that section.

6 (d-1) For a school district for which in the 2005 tax year a
7 deduction from taxable value is made under Subsection (d)(4), the
8 comptroller shall certify to the commissioner of education a final
9 taxable value for the 2005 tax year, calculated as if the reduction
10 in the school district's ad valorem tax rate and the method of
11 calculating the amount of the deduction from taxable value under
12 Subsection (d)(5) required by ___B. No. ____, Acts of the 79th
13 Legislature, 3rd Called Session, 2006, took effect September 1,
14 2005. This subsection expires September 1, 2007.

15 (i) If the comptroller determines in the annual study that
16 the market value of property in a school district as determined by
17 the appraisal district that appraises property for the school
18 district, less the total of the amounts and values listed in
19 Subsection (d) as determined by that appraisal district, is valid,
20 the comptroller, in determining the taxable value of property in
21 the school district under Subsection (d), shall for purposes of
22 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as
23 determined by the appraisal district of residence homesteads to
24 which Section 23.23, Tax Code, applies the amount by which that
25 amount exceeds the appraised value of those properties as
26 calculated by the appraisal district under Section 23.23, Tax Code.
27 If the comptroller determines in the annual study that the market

1 value of property in a school district as determined by the
2 appraisal district that appraises property for the school district,
3 less the total of the amounts and values listed in Subsection (d) as
4 determined by that appraisal district, is not valid, the
5 comptroller, in determining the taxable value of property in the
6 school district under Subsection (d), shall for purposes of
7 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as
8 estimated by the comptroller of residence homesteads to which
9 Section 23.23, Tax Code, applies the amount by which that amount
10 exceeds the appraised value of those properties as calculated by
11 the appraisal district under Section 23.23, Tax Code.

12 ARTICLE 2. APPROPRIATION

13 SECTION 2.01. There is appropriated to the Texas Education
14 Agency for distribution to the school districts of this state in
15 accordance with Chapters 41 and 42, Education Code, as amended by
16 this Act, the amount of \$2,385,800,000 in fiscal year 2007 from any
17 funds in the State Treasury not otherwise appropriated.

18 SECTION 2.02. Rider 97 following the appropriations to the
19 Texas Education Agency in Chapter 1369, Acts of the 79th
20 Legislature, Regular Session, 2005 (the General Appropriations
21 Act), as amended by Chapter 2, Acts of the 79th Legislature, 1st
22 Called Session, 2005, is repealed.

23 ARTICLE 3. APPLICATION AND EFFECTIVE DATE

24 SECTION 3.01. This Act applies beginning with the 2006-2007
25 school year.

26 SECTION 3.02. This Act takes effect immediately if it
27 receives a vote of two-thirds of all the members elected to each

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1 house, as provided by Section 39, Article III, Texas Constitution.
2 If this Act does not receive the vote necessary for immediate
3 effect, this Act takes effect on the 91st day after the last day of
4 the legislative session.